

Message Text

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PAGE 01 WELLIN 02744 01 OF 02 150842Z

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 /083 W

-----064646 150857Z /15

R 140847Z JUL 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3579

INFO AMEMBASSY CANBERRA

AMEMBASSY SUVA

CINCPAC HONOLULU

AMCONGEN AUCKLAND

C O N F I D E N T I A L SECTION 1 OF 2 WELLINGTON 2744

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT, ECON, NZ

SUBJECT: WIN SOME-LOSE MOST FOR MULDOON: A ROCKY
HOMECOMING

1. SUMMARY: BAD POLL RESULTS, RECORD COST-OF-LIVING
AND EMIGRATION FIGURES, AND A DEFAMATION SUIT HAVE
GREETED PRIME MINISTER MULDOON ON HIS RETURN FROM EUROPE.
LACKING ALTERNATIVES, HOWEVER, THE LABOUR OPPOSITION
IS REDUCED TO CARPING CRITICISM. END SUMMARY.

2. POLL RESULTS: FOR THE FIRST TIME SINCE NOVEMBER
1974, VOTER SUPPORT FOR THE LABOUR PARTY EQUALS SUPPORT
FOR THE NATIONAL PARTY, ACCORDING TO THE LATEST NEW
ZEALAND HERALD-NATIONAL RESEARCH BUREAU (NRB) POLL.
TAKEN IN LATE MAY AND PUBLISHED THE FIRST WEEK OF JULY,
THE NRB SURVEY FOUND A SAMPLE OF ELIGIBLE VOTERS SPLIT-
TING THEIR SUPPORT FOR THE NATIONAL AND LABOUR PARTIES
AT 42 PERCENT EACH. THE LAST TIME IIUTSR WAS IN FRONT
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PAGE 02 WELLIN 02744 01 OF 02 150842Z

WAS IN SEPTEMBER 1974, JUST AFTER THE DEATH OF PRIME
MINISTER NO YIUKIRK. THE SMKZ SHOWED NATIONAL SLIP-
PING FROM 46 PERCENT IN NOVEMBER 1976 AND 48 PERCENT
AT TUCBIME OF THE NOVEMBER 1975 ELECTION. MEANWHILE,
LABOUR GAINED 2 PERCENT OVER ITS 40 PERCENT SHOWING IN
BOTH NOVEMBER 1976 AND NOVEMBER 1975. SOCIAL CREDIT
REMAINED STEADY AT 9 PERCENT AND VALUES WENT FROM 5

TO 6 PERCENT SINCE LAST NOVEMBER. NINETEEN PERCENT OF THE SAMPLE WERE UNCOMMITTED, AS COMPARED WITH 21 PERCENT SIX MONTHS EARLIER.

3. IN AN ACCOMPANYING POLL, THE SAMPLE WAS ASKED: "WHICH NATIONAL PARTY POLITICIAN IMPRESSES YOU MOST?" THIRTY PERCENT OF THE RESPONDENTS NAMED PRIME MINISTER MULDOON, A 3 PERCENT INCREASE OVER HIS STANDING SIX MONTHS AGO, BUT STILL DOWN 13 PERCENT FROM MAY 1976. THE RUNNER-UP AT 9 PERCENT WAS FOREIGN MINISTER BRIAN TALBOYS. THIRTY-FIVE PERCENT OF THE SAMPLE SAID NO NATIONAL PARTY KNOW."

4. UNLIKE HIS PARTY, OPPOSITION LEADER ROWLING CONTINUED TO SLIDE IN THE OPINION OF THE SAMPLE. RESPONDING TO THE QUESTION -- WHICH POLITICIAN OF ALL OTHER PARTIES IMPRESSES YOU MOST? -- ONLY 13 PERCENT NAMED ROWLING, 9 PERCENT BEHIND HIS RATING A YEAR AGO. WORSE STILL, HE WAS BESTED BY BRUCE BEETHAM, SOCIAL CREDIT PARTY LEADER, WHO WAS NAMED BY 20 PERCENT OF THE SAMPLE.

5. IGNORING HIS PERSONAL SETBACK, ROWLING REACTED TO THE POLL RESULTS BY TAKING THE OFFENSIVE. HE SAW NATIONAL'S RATING AS JUST ANOTHER SIGN OF THE COLLAPSE OF ITS CREDIBILITY AND DISILLUSIONMENT WITH ITS ECONOMIC POLICIES. TAKING OFF ON NATIONAL'S 1975 ELECTION SLOGAN, CONFIDENTIAL

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PAGE 03 WELLIN 02744 01 OF 02 150842Z

ROWLING SAID CIRCUMSTANCES WERE A "LONG, LONG WAY FROM NEW ZEALAND THE WAY YOU WANT IT."

6. PRIMIN MULDOON DECLARED THE POLL RESULTS WERE SOMETHING HE HAD BEEN EXPECTING. "WE HAVE HAD TO DO A LOT OF UNPOPULAR THINGS," HE SAID, "AND THE TIME COMES WHEN PEOPLE FEEL THEY HAVEN'T SEEN THE RESULTS." MULDOON RECALLED THAT HE HAD ALWAYS MAINTAINED IT WOULD TAKE THREE YEARS BEFORE THE RESULTS OF THE GOVERNMENT'S ECONOMIC POLICIES COULD BE SEEN AND THEN ADDED THE CAVEAT THAT "SOME MATTERS COULD TAKE MORE THAN THREE YEARS TO TIDY UP."

7. DEFAMATION ACTION: ALMOST SINCE THE DAY OF HIS RETURN FROM HIS JUNE TRIP TO EUROPE, MULDOON HAS BEEN TIED UP IN AUCKLAND IN A DEFAMATION SUIT BROUGHT BY THE CITIZENS ASSOCIATION FOR RACIAL EQUALITY (CARE) AND ITS LEADER, THOMAS NEWNHAM. THE PLAINTIFFS CHARGE THAT MULDOON DEFAMED THEM WHEN HE SAID IN A PRESS CONFERENCE THAT CARE HAD DELIBERATELY FED LIES TO COUNTRIES OVERSEAS ABOUT NEW ZEALAND'S SPORTS CONTACTS WITH SOUTH AFRICA. MULDOON'S COUNSEL HAS DONE A SUPERB JOB OF

PUTTING THE PLAINTIFF'S ON TRIAL AND THE NET POLITICAL
RESULT SO FAR HAS BEEN A PLUS FOR THE PRIME MINISTER.
WITH THE TRIAL NOW IN ITS EIGHTH DAY, HOWEVER, MULDOON HAS
HAD ONLY FLEETING VISITS TO WELLINGTON AND NO TIME TO
THRASH OUT WITH THE NATIONAL PARTY CAUCUS HOW THE GOVERN-
MENT WILL IMPLEMENT THE GLENEAGLES AGREEMENT ON SPORTS
CONTACTS WITH SOUTH AFRICA. HIS CONTINUED ABSENCE ALSO
DELAYED ANNOUNCEMENT OF A DATE FOR THE BUDGET SPEECH,
NOW SET FOR JULY 21.

8. CIP INCREASE: THE PRIME MINISTER'S ROCKY FIRST WEEK
BACK IN NEW ZEALAND WAS CULMINATED BY ANNOUNCEMENT OF A

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PAGE 01 WELLIN 02744 02 OF 02 141125Z
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C O N F I D E N T I A L SECTION 02 OF 02 WELLINGTON 02744

RECORD 4.8 PERCENT INCREASE IN THE CONSUMER PRICE INDEX
FOR THE SECOND QUARTER OF 1977, THE HIGHEST SUCH INCREASE
SINCE 1949. WITH MULDOON IN AUCKLAND FOR THE DEFAMATION
TRIAL AND DEPUTY PRIME MINISTER TALBOYS IN EUROPE, THE
TASK OF DEFENDING AGAINST A SNAP DEBATE IN PARLIAMENT
FELL TO TRADE MINISTER ADAMS-SCHNEIDER. OPPOSITION
LEADER ROWLING CALLED ON THE GOVERNMENT TO RESIGN CLAIM-
ING ITS ACHIEVEMENTS WERE RECORD INDUSTRIAL UNREST,
RECORD OVERSEAS BORROWING, RECORD EMIGRATION, AND RECORD
TAXATION. ADAMS-SCHNEIDER RESPONDED WEAKLY THAT NEW
ZEALANDERS WERE FAIR-MINDED PEOPLE WHO WOULD LOOK AT
THE INFLATION RATE FOR THE YEAR AND NOT JUST FOR THE
QUARTER. THE INFLATION RATE, HE SAID, WAS THE LOWEST OF
THE LAST THREE JUNE YEARS: "IT WAS 14 PERCENT, COMPARED

WITH 17.7 PERCENT IN 1976 AND 14.9 PERCENT IN 1975."

MEANWHILE, FEDERATION OF LABOUR PRESIDENT, SIR TOM SKINNER, WAS FLOATING THE IDEA OF A NZW CLAIM FOR A GENERAL WAGE ORDER BASED ON THE LATEST INDEX FIGURES.

9. EMIGRATION: ADDING TO MULDOON'S TROUBLES WAS THE RELEASE ON JULY 11 OF A RECORD EMIGRATION LOSS OF ALMOST CONFIDENTIAL

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PAGE 02 WELLIN 02744 02 OF 02 141125Z

21,000 PERSONS FOR THE YEAR ENDING APRIL 30. BOTH LABOR POLITICIANS AND BUSINESS LEADERS CHORUSED CRITICISM OF EMIGRATION-RELATED POLICIES OF THE GOVERNMENT.

10. BUDGET: IN ANNOUNCING THAT JULY 21 WILL BE BUDGET DAY, PRIME MINISTER MULDOON PRE-VIEWED HIS BUDGET AS A "HOLD-THE-LINE" DOCUMENT. HE DISMISSED GLOOMY SPECULATION ABOUT THE GOVERNMENT'S ECONOMIC POLICIES SAYING THAT ANY SUGGESTION THAT THE ECONOMY IS OUT OF CONTROL COMES FROM SOMEONE WHO DOESN'T KNOW WHAT HE IS TALKING ABOUT. MULDOON CLAIMED THAT THE GOVERNMENT HAD MANAGED TO DEAL WITH PENT-UP COSTS NOT PROPERLY HANDWED BY THE PREVIOUS LABOUR GOVERNMENT AND THAT CLEAR PROGRESS IS BEING MADE IN REDUCING INFLATION.

11. EMBASSY COMMENT: THIS IS OBVIOUSLY A DIFFICULT PERIOD FOR THE NATIONAL PARTY GOVERNMENT AND FOR THE PRIME MINISTER PERSONALLY. WHILE MULDOON CAN STILL VALIDLY CLAIM THAT THE ECONOMY IS NOT OUT OF CONTROL, HE RECOGNIZES THAT MAJOR ECONOMIC LEVERS ARE IN OTHER HANDS ABROAD. WHAT THE POLLS BASICALLY SHOW IS NOT THAT LABOUR IS GAINING, BUT THAT CONFIDENCE IN THE NATIONAL PARTY GOVERNMENT IS ERODING. LABOUR, HOWEVER, HAS NOT BEEN ABLE TO EXPLOIT THE GOVERNMENT'S DIFFICULTIES BECAUSE OF SEVERAL FACTORS, AMONG THEM ITS OWN LACK OF BOTH POLICY AND LEADERSHIP ALTERNATIVES. (THE LATTER CLEARLY EVIDENCED BY ROWLING'S POOR SHOWING IN THE NRB LEADERSHIP POLL;) THERE SEEMS ALSO TO BE AN UNDERLYING RECOGNITION THT NEW ZEALAND'S ECONOMIC FATE IS LARGELY BEYOND THE CONTROL OF ANY GOVERNMENT AND THAT, GIVEN LABOUR'S PREVIOUS RECORD AND PAUCITY OF NEW IDEAS, THE NATIONAL PARTY GOVERNMENT IS STILL THE BEST AVAILABLE. SELDEN

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